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C O N F I D E N T I A L ANKARA 001232

SIPDIS

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SUBJECT: TERRORIST FINANCE: ANALYSIS OF SITUATION IN TURKEY

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(U) Classified by Deputy Chief of Mission Robert S Deutsch.  
Reasons: 1.4(B), (D) and (E).

1. (C) Summary. Turkey has been unsuccessful in locating terrorist assets in its financial institutions or on its territory. Post believes that Turkey's failure is a consequence of inherent limitations in Turkey's anti-money laundering and anti-terrorist financing regime. Although Post and other interested missions have been working hard to help Turkey improve its regime, change is likely to be slow. End Summary.

2. (C) In Turkey, the asset freeze process is initiated by a Department cable, advising Post of the latest terrorist financing designations. Post approaches the MFA with those names. MFA circulates the names to other ministries and, indirectly, to banks, which are required by government decree to freeze any assets held in the name of the designated person, if the designation originates with UNSCR 1267 (Reftel B). However, Post believes that most individuals and organizations that are engaged in terrorist activities (particularly those likely to be designated by the USG or UNSC) are by now well aware of this asset-freezing protocol, and rather than transmit assets through accounts maintained in financial institutions, they use couriers or the hawala system. And, when they do utilize the banking system, they use aliases.

3. (C) The protocol adopted by Turkey, as described above, is unlikely to produce significant results. In general, it is a paper exercise in which GOT merely circulates its freeze list. An effective terror finance control requires a robust regime for detecting financial crimes (both money laundering and terrorist financing), which includes a mechanism for reporting suspicious transactions; a means to determine whether a particular transaction has a reasonable probability of originating in terrorist activity (both through analysis and through on-site investigation); and a procedure to freeze assets that relate to that transaction and/or the persons engaged in that transaction. The Turkish regime is weak in these areas, not just for terrorist financing, but also for more general money laundering offenses.

4. (C) Although MASAK requires suspicious transaction reports to be filed both with respect to suspected money laundering and with respect to suspected terrorist financing, very few suspicious transaction reports are in fact filed. This is because Turkish law does not provide safe harbor for filers; filers have not been educated about their obligations; and no effective compulsion to file exists. (In fact, domestic Turkish banks reportedly avoid filing reports because they perversely view filing as an admission of the existence of a problem.) MASAK (the Turkish financial intelligence unit) has little interest in sharing information with, or learning from the best practices of, other financial investigation units. MASAK analysts have not been trained to identify transactions that fit a terrorist financing profile. MASAK has no specific investigative powers, and the police and prosecutors (who do have such powers) have been insufficiently trained in financial crimes and do not work well together. Turkish law does not provide an effective mechanism for freezing assets that satisfy a terrorist finance profile (indeed, terrorist financing is not even a crime). Responsible elements within the GOT have been hesitant to push for such legislation, citing Constitutional concerns. One consideration clearly is that the GOT is sensitive regarding its still-fragile banking system (which is still recovering from a major crisis in 2001).

5. (C) Even after the Istanbul bombings of November 2003, and despite constant pressure from Post and other interested missions, the GOT has not pursued an aggressive anti-terrorist financing regime. An interagency team (State, Treasury, Justice) visited Turkey last November, and will shortly provide recommendations for improvement. We intend to continue to press, at senior levels (e.g., the Minister of

Finance and Minister of Justice), for development of a more effective anti-terrorist financing regime. However, given the range of issues (e.g., EU accession, Cyprus, Iraq) with Turkey, developing sustained pressure will take time.

EDELMAN